

Carson City
mint

ROBERT D. McAFEE AND JOHN CHIATOVICH.

DECEMBER 16, 1903.—Ordered to be printed.

Mr. STEWART, from the Committee on Claims, submitted the following

REPORT.

[To accompany S. 175.]

The Committee on Claims, to whom was referred the bill (S. 175) for the relief of Robert D. McAfee and John Chiatovich, having considered the same, beg to report as follows:

A bill similar to the one now under consideration was favorably reported by your committee in the Fifty-sixth and Fifty-seventh Congresses and passed the Senate. In the second session of the Fifty-seventh Congress it was incorporated in the omnibus claims bill (S. 7152), which bill failed to become a law.

The bill has also been favorably reported to the House of Representatives.

Your committee deem this bill a very meritorious one. They adopt the report made at the first session of the Fifty-seventh Congress and make it a part hereof and recommend the passage of the bill.

The report referred to is as follows:

[Senate Report No. 347, 57th Cong., 1st sess.]

The Committee on Claims, to whom was referred the bill (S. 169) for the relief of Robert D. McAfee and John Chiatovich, after duly considering the same, report as follows:

A bill similar to the one now under consideration was favorably reported by your committee in the Fifty-sixth Congress. It was reported rather late in the session and was not reached on the Calendar.

Your committee concur in the views expressed in the report made at the last session, adopt it as a part hereof, and recommend the passage of the bill.

The report is as follows:

The Committee on Claims, to whom was referred the bill (S. 2191) for the relief of Robert D. McAfee and John Chiatovich, having considered the same, beg leave to report as follows:

The facts in the case are that on the 16th day of January, 1890, Elias B. Zabriskie was appointed melter and refiner of the United States mint at Carson City, Nev., and on March 1, 1890, one John T. Jones was appointed assistant melter and refiner; that Zabriskie gave a bond in the sum of \$20,000 for the faithful performance of his duties, and Robert D. McAfee and John Chiatovich were his bondsmen. Jones, the assistant melter and refiner, before and at the time of his appointment and up to the time

of his arrest, bore a good reputation for honesty and integrity, and was indorsed for the position by the leading citizens of Carson.

Zabriskie's term of office expired on the 31st day of May, 1894, and his successor, Hirsh Harris, took charge of the office on June 1, 1894.

A final settlement and "clean up" were made in the melter's and refiner's department before Zabriskie turned over the office to his successor, whereupon the superintendent of the mint issued to Zabriskie the following receipts in full settlement of his accounts with the Department:

No. 16.]

UNITED STATES BRANCH MINT,
Carson City, May 31, 1894.

Received of E. B. Zabriskie, melter and refiner, United States branch mint, Carson City, eighteen thousand three hundred and seventy-four and 195/1000 standard oz. gold bullion: Gold sett. bars No. 1/12; silver sett. bars No. 1/579; sweeps Nos. 1/11.

18,374 195/1000 oz.

T. R. HOFER, *Superintendent.*

No. 100.]

MINT OF THE UNITED STATES,
Carson City, May 31, 1894.

Received of E. B. Zabriskie, melter and refiner, United States mint, Carson City, eight hundred and sixteen thousand two hundred and sixty-five and 88/100 standard oz. silver bullion: Gold sett. bars 1/12; silver sett. bars 1/579; sweeps Nos. 1/11.

816,265 88/100 oz.

T. R. HOFER, *Superintendent.*

After Hirsh Harris took possession of his office John T. Jones was reappointed assistant melter and refiner.

On the 10th day of June, 1894, ten days after Zabriskie retired from office, he died a very poor man, but with an unsullied reputation. He had always been an industrious, sober man of high character.

Jones continued to act as assistant melter and refiner without the slightest suspicion of wrongdoing being raised against him until the 11th day of February, 1895, when Mr. Harris, the melter and refiner, after a "clean up" of the melter and refiner's department, discovered a shortage of both gold and silver, which he reported to the superintendent of the mint on the 15th of the same month.

Attention is called to the fact that no suspicion of a deficiency in the melter and refiner's department existed on the part of anyone for eight months after the death of Zabriskie and eight months and eleven days after his retirement from office.

The superintendent of the mint, Mr. J. W. Adams, reported the shortage discovered by Hirsch Harris, the melter and refiner, to the Department at Washington on the 15th day of February, 1895, whereupon Mr. Andrew Mason, the superintendent of the United States assay office at New York, was directed to go to Carson and make an investigation, which he accordingly did, and found a deficiency of gold bullion approximating 3,000 standard ounces and of silver bullion approximating 3,000 standard ounces, amounting in the aggregate to over \$75,000.

The evidence inculpated John T. Jones, the assistant melter and refiner, and one James Heney, who was employed as silver dissolver in the separating department of the melter and refiner's office. Jones and Heney were both indicted on the 23d of August, 1895. Heney was convicted on the 21st of December and sentenced on the 24th of December, 1895, to eight years' imprisonment and to pay a fine of \$5,000. In the case of Jones, the jury on the first trial disagreed. On the second trial he was found guilty, and on the 4th of May, 1896, was sentenced to eight years in the State penitentiary and to pay a fine of \$5,000. Both prisoners are now serving their sentences.

In the course of the very thorough examination which led to the conviction of Jones and Heney no suspicion of wrongdoing was cast upon the name of Zabriskie. It appeared, however, that soon after his appointment he commenced declining in health, and for a long time prior to his death he was unable to be in constant attendance at the office. Under these circumstances Jones had the principal control of the melter and refiner's department and was able to conceal his embezzlements from Zabriskie and from the Department at Washington.

Robert D. McAfee, one of the bondsmen, is totally insolvent, and has no prospect of being in a better financial condition. Chiatovich was a man quite well off at the time he executed the bond, but his property consisted of silver mines and business dependent upon silver mines. The fall in the price of silver has greatly embarrassed him, compelling him to mortgage his property. He has a very large family to sup-

port, and it is very doubtful if anything of consequence could be recovered from him on an execution.

The following letter from Mr. Chiatovich is a fair statement of the situation:

SILVER PEAK, NEV., *February 23, 1900.*

MY DEAR FRIEND: Herewith inclosed please find the facts in the bond case, as near as can be obtained. On the last page of the document it does not state strong enough the condition that I am in to-day. When I signed the bond I was worth quite a whole lot of money; but when silver went down I went down with it, and everything that I had went with it. I have also spent a whole lot of money mining since signing the bond, without success, and, to tell you the truth, everything I have got is under mortgage for everything it is worth, and for a number of years all that is keeping me going is my name and my friends. All the Government can take away from me is my name. If they do that, I will be ready to starve, with all my family, consisting of wife and six children. My oldest child is 13 years and the youngest 1 year. All this trouble is no fault of ours, but was brought on by a man whom I did not know and for whose acts I did not become responsible.

With kindest regards and best wishes for your health and prosperity, I am,

Sincerely, your obedient servant,

JOHN CHIATOVICH.

Hon. W. M. STEWART,
United States Senate, Washington, D. C.

The committee do not think that under the circumstances the bondsmen of Zabriskie should be held for the embezzlement of the felons, Jones and Heney, and recommend the passage of the bill.

APPENDIX.

TREASURY DEPARTMENT, OFFICE OF THE SECRETARY,
Washington, March 27, 1900.

SIR: I have the honor to acknowledge the receipt of your letter of the 26th instant, and in reply respectfully submit the following statement:

When the change in the offices of superintendent and melter and refiner of the mint at Carson occurred, June 1, 1894, the Treasury Department did not have a representative present to witness the delivery of the coin and bullion by the retiring to the incoming superintendent. Prior to the change the melter and refiner, E. B. Zabriskie, claimed to have returned to the then superintendent, T. R. Hofer, all the gold and silver bullion that had been received by him from July 1, 1893 (date of the last settlement of his accounts), to May 31, 1894, with the exception of 8,009 ounces of standard gold and 1,379.86 ounces of standard silver, which was claimed and credit allowed him as wastage in his operations.

The identical bullion received by the superintendent (Mr. Hofer) from Mr. Zabriskie was delivered by him to his successor, Mr. J. W. Adams, who in turn delivered it to Mr. Hirsch Harris, the successor of Mr. Zabriskie, as melter and refiner. It is proper to remark that when the bullion was delivered by the old officers to the new no assays were made to determine whether the gold and silver contents, as stamped on the bars, were correct. Had this been done, the embezzlement in the refinery would have been discovered at the time of the new officers assuming their duties. The loss was discovered by Mr. Harris, the successor of Mr. Zabriskie, in February, 1895, upon a "clean up" or trial settlement of his accounts. Under date of February 13, 1895, he reported to the superintendent that there was a shortage of 3,000 ounces of gold and 3,000 ounces of silver in his accounts.

Copies of the letter of Mr. Harris to the superintendent, reporting the loss, and of the latter to the Director of the Mint are attached.

Mr. Andrew Mason, superintendent of the United States assay office, New York, was directed to investigate and ascertain the cause or causes of the loss of bullion in the accounts of the melter and refiner of the mint at Carson. His conclusions will be found in the Report of the Director of the Mint for the fiscal year 1896, pages 92 to 96. The proof appears to be conclusive that the embezzlement was made by J. T. Jones, assistant melter and refiner, by substitution of bars containing a smaller percentage of gold for bars containing a higher percentage, and by the abstraction of bullion by James Heney, silver dissolver, while Mr. Zabriskie occupied the position of melter and refiner.

Respectfully,

L. J. GAGE,
Secretary.

Hon. WILLIAM M. STEWART,
United States Senate.

MINT OF THE UNITED STATES,
SUPERINTENDENT'S OFFICE,
Carson, Nev., February 15, 1895.

SIR: I have the honor to inclose herewith a communication of even date from Hon. Hirsch Harris, melter and refiner of this mint, notifying me of a shortage in his gold bullion of 3,000 standard ounces, also shortage in silver bullion of 3,000 ounces; said shortage being the result of the refinery operations from June 1 to December 31, 1894. This matter was first brought to my attention on last Monday (February 11), when Mr. Harris requested me to go over his accounts with him, stating that as the result of a "clean up" in the refinery, ordered by him on January 18 and completed February 9, he was convinced that a great shortage of both gold and silver existed. I immediately weighed and checked the bullion in his possession and found his bullion to be short, as above stated.

I am at a loss to account how this shortage could exist except through dishonesty of some of the employees.

This matter is known only to those interested, and both Mr. Harris and myself are doing all in our power to recover the missing bullion, but are unable to make any progress.

I would respectfully suggest that you immediately send some officer of the Treasury Department (or detective) to investigate the matter.

Very respectfully,

J. W. ADAMS, *Superintendent.*

Hon. R. E. PRESTON,
Director of the Mint, Washington, D. C.

THE MINT OF THE UNITED STATES,
MELTER AND REFINER'S OFFICE,
Carson, Nev., February 15, 1895.

SIR: On January 18 I ordered a "clean up" in the refinery on all bullion sent there for reduction from the time I assumed charge, June 1, 1894, to December 31, 1894, inclusive.

On February 9 said "clean up" was finished and the bullion and slums assayed. I now find as a result of said "clean up" a shortage of gold bullion, approximated 3,000 standard ounces, and silver bullion, approximated 3,000 standard ounces. My action in having "clean up" made was not prompted by any suspicion that I then had as to the working of the refinery, but solely to ascertain how my bullion accounts stood. I can only account for the great shortage of both gold and silver in one of two ways, viz, either through the dishonesty of the employees, or that the bullion received by you in settlement from your predecessor and by you turned over to me did not contain the alleged assay value. A large proportion of this settlement bullion has been sent by me to the refinery for reduction. Please notify the authorities at Washington at once, so that prompt measures may be taken to recover the missing bullion.

Very respectfully,

H. HARRIS, *Melter and Refiner.*

Hon. J. W. ADAMS, *Superintendent.*